REPORT OF

FINANCIAL EXAMINATION

ALLIANCE FOR COMMUNITY HEALTH, LLC
d/b/a
COMMUNITY CARE*PLUS*

As of:

DECEMBER 31, 2004

STATE OF MISSOURI

DEPARTMENT OF INSURANCE

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

February 2, 2006
St. Louis, Missouri

Honorable Alfred W. Gross, Commissioner
Bureau of Insurance
Virginia State Corporate Commission
Chairman, Financial Condition (E) Committee, NAIC

Honorable Ann Womer Benjamin, Director
Department of Insurance
State of Ohio
Secretary, Midwestern Zone, NAIC

Honorable W. Dale Finke, Director
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Dear Sirs/Madam:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

Alliance for Community Health, LLC d/b/a Community Care*Plus*

hereinafter referred to as the "Company". The Company's administrative office is located at 10123 Corporate Square Drive, St. Louis, Missouri 63132, telephone number (314) 432-9300. Examination fieldwork began on October 11, 2005, and was completed on February 2, 2006.

SCOPE OF EXAMINATION

Period Covered

The last comprehensive financial examination of the Company was performed as of December 31, 2001, by an examiner from the state of Missouri.

The current financial examination of the Company covers the period from January 1, 2002, through December 31, 2004, and was conducted by examiners from the state of Missouri. This examination also included material transactions or events occurring subsequent to December 31, 2004.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance and statutes of the state of Missouri prevailed.

The workpapers of the Company's independent auditor, Mayer Hoffman McCann P.C., were made available to the examiner for review. Standard examination procedures were modified as deemed appropriate under the circumstances.

Comments - Previous Examination

Listed below are the comments of the previous examination report and the subsequent action taken.

1. **Comment** It is recommended that the board take action to ensure participation from all its members. Board meeting minutes should also reflect the election of officers.

Company Response The Company noted the board attendance and disclosed election of officers in the next appropriate board meeting minutes. The number of board members decreased from 13 to 10 members.

Current Findings The current examination found that board meeting attendance has improved, especially since new ownership took over operations. Meeting minutes reflected the composition of officers.

2. **Comment** It is recommended that the owners of this company agree to and sign a current operating agreement. In addition to establishing the ownership percentages, this agreement should establish the desired number of participants on the board. The board should also consider the term limit of fifty years. An agreement in perpetuity may by more appropriate.

Company Response A new agreement was executed and filed with the Department of Insurance. The Company was later sold and a new operating agreement was approved by the Department.

Current Findings This finding was negated by the fact that the company was sold during 2004. A management agreement (filed with the Department of Insurance) exists between the company and the parent that outlines responsibilities of both parties.

3. **Comment** It is recommended that the Company take action to ensure the safety of its investments in certificates of deposit.

Company Response The Company diversified through multiple financial institutions and investments in more government securities.

Current Findings The Company still has large certificates of deposits, however, these comprise a smaller percentage of the total investment portfolio.

HISTORY

General

The Company was originally incorporated as a not-for-profit entity on March 5, 1986. It was licensed as a health maintenance organization (HMO) on June 17, 1987, and began operating as an HMO on September 1, 1995. On August 16, 1996, the Company converted to a limited liability corporation (LLC). The original owners were Deaconess Health System, Family Care Health Center, St. Louis Comprehensive Health Center and People's Health Centers. Over the years, Deaconess increased its ownership proportion through various capital contributions. In 1997, Deaconess was sold to Tenet Health Systems.

On May 28, 2004, the company was sold to CCP Acquisitions Limited and three members of management. This remains the current ownership.

The Company operates as a Medicaid HMO through a contract with the Missouri Department of Social Services, Division of Medical Services (DMS). This contract requires the Company to meet an extensive set of requirements established by the DMS.

Net Worth

Missouri Regulation 20 CSR 200-1.040(5)(B) (Financial Standards for HMOs) and Section 354.410 RSMo (Capital requirements) require that an HMO maintain a net worth of at least two percent of annual premiums as shown in the HMO's most recently filed annual statement. The Company reported $82,762,999 of premiums in the December 31, 2004 annual statement. This translates into a minimum net worth requirement of $1,655,260. The Company reported net worth of $13,526,817 as of December 31, 2004.

Dividends to Shareholders

Prior to 2004, the Company had never made any distributions. During 2004, the Company paid two extraordinary dividends, $3,800,000 in May and $3,500,000 in September. Both distributions were approved by the Department of Insurance.

Management

The members of the board of directors serving at December 31, 2004, were as follows:

Name and Location	Business Affiliation
James V. O'Donnell St. Louis	Vice-President, Secretary Missouri Physicians Associates
William H. T. Bush St. Louis	Chairman Bush O'Donnell & Co., Inc.

Kay E. Cameron St. Louis	Director Missouri Physicians Associates
Richard E. Fister St. Louis	Director Missouri Physicians Associates
Matthew J. Koster St. Louis	President Missouri Physicians Associates
Robert J. Mathias St. Louis	Director Missouri Physicians Associates
Wayne L. Smith II St. Louis	Vice-President Missouri Physicians Associates
Jerry Linder St. Louis	Chief Executive Officer Alliance for Community Health, LLC
Edward Oswald St. Louis	Vice-President, Secretary, Treasurer Alliance for Community Health, LLC
Cristopher Cristea St. Louis	Chief Operating Officer Alliance for Community Health, LLC

Board meeting minutes were reviewed for the meetings held during the examination period. Meeting attendance has improved significantly since the previous examination, with perfect attendance since the acquisition by CCP Acquisitions Limited.

The officers elected and serving as of December 31, 2004, were as follows:

Name	Office
Jerry Linder	Chief Executive Officer
Cristopher Cristea	Chief Operating Officer
Edward Oswald	Vice President, Treasurer, Secretary

Conflict of Interest Statements

Current conflict of interest disclosure statements were reviewed for all directors and key employees. No instances of conflicts were disclosed.

Corporate Records

The Company amended its articles of organization because of the acquisition finalized on May 28, 2004. The Company's new operating agreement was also signed on May 28, 2004.

Acquisitions, Mergers and Major Corporate Events

CCP Acquisitions Limited and three members of management on May 28, 2004 acquired the Company. See the Section, **AFFILIATED COMPANIES**, for additional details.

Surplus Notes

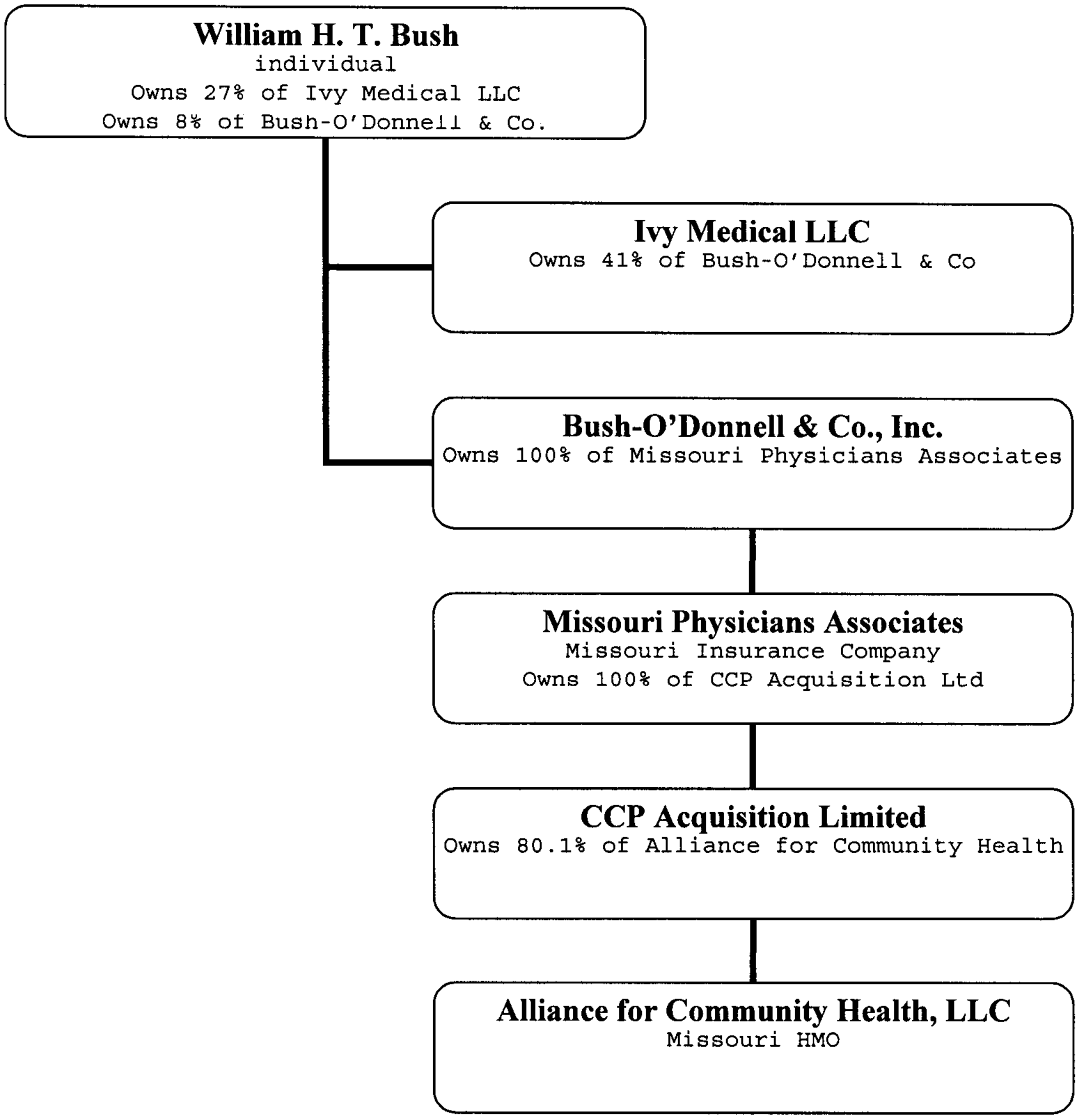
The Company issued a surplus note to Tenet Health Systems on September 4, 1997, for $1,500,000 with interest accruing at 9% per annum. The Company made an interest payment totaling $618,394 on May 31, 2002. Subsequently, in July 2003, the entire surplus note plus interest, was repaid. All payments were approved by the Missouri Department of Insurance. The company has no other financing agreements outstanding.

AFFILIATED COMPANIES

Holding Company

The Company is a member of an Insurance Company Holding System as defined by Section 382.010 RSMo (Definitions). The Company's most recent Form B filing stated that William H. T. Bush was the ultimate controlling entity. The following organizational chart shows the relative ownership interests of all the affiliates.

Organizational Structure



The remaining 19.9% of the company is owned collectively by Jerry Linder, CEO; Cristopher Cristea, COO; and Edward Oswald, VP, Secretary and Treasurer.

Payments to Affiliates

The following shows payments made, during 2004, to affiliates for other than dividends:

Affiliate	Purpose	Amount
Tenet Healthcare Corporation	Claims	$2,223,617
Family Care Health Center	Claims	401,120
Myrtle Hillard Davis Comprehensive Health Center	Claims	405,158

In prior years, NovaSys Health Network was an affiliate because Tenet Healthcare Corporation owned it. Beginning on December 1, 2003, Tenet no longer had an ownership interest in NovaSys, thus NovaSys was no longer an affiliate.

FIDELITY BOND AND OTHER INSURANCE

The Company has fidelity insurance coverage with a limit of $500,000 ($600,000 effective December 1, 2005) which meets the NAIC's minimum recommended level. The Company is also a named insured on several insurance policies, including directors and officers' liability, errors and omissions liability, general business property and liability, commercial umbrella, and workers compensation. These coverages appear to be sufficient for this company.

EMPLOYEE BENEFITS AND PENSION PLAN

The Company provides standard benefits to its employees such as paid leave, holidays and insurance that includes medical, dental, group life and disability coverage. The Company offers a 401(k) savings plan but has no pension plan.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance as of December 31, 2004, were sufficient to meet the deposit requirement of Section 354.410.2 RSMo (Trust deposit).

Type of Security	Par Value	Market Value	Statement Value
U.S. Treasury Note	$500,000	$496,600	$497,734

Deposits with Other States

None.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company was organized under the laws of the state of Missouri in accordance with Sections 354.400 to 354.550 RSMo (Health maintenance organizations). The original business territory was the city of St. Louis and the counties of St. Louis, St. Charles, Jefferson and Franklin. Beginning in December 2000, the Company expanded into the counties of St. Genevieve, Washington, Lincoln, Warren and St. Francois.

The Company provides managed care services to Medicaid and Children's Health Insurance Program (CHIP) members. Members select a primary care physician from the Company's network of providers. Most primary care physicians receive capitation payments based on the number of members participating and the demographic characteristics of those members. The remaining primary care physicians and specialists are compensated on a fee for services basis.

Underwriting Practices and Customer Relations

Under Medicaid rules, all correspondence with insured members is subject to regulation by the Missouri Department of Social Services, Division of Medical Services (DMS). Most insured members are made aware of the Company's services through the Department of Social Services or from network physicians.

The Company operates under consumer protection and provider service rules outlined in its Medicaid contract. The Company appears to be addressing complaints from both insured members and providers in a timely manner.

Credentialing

The Company conducts its own credentialing program, although the work is delegated to outside sources for some of the larger provider groups. All primary care physicians and specialists are credentialed. The credentialing committee, consisting of the medical director and five providers, meets quarterly to review new applications and monitoring of existing providers. The Company's provider representatives meet with primary care physicians every six weeks to help monitor performance. Facilities are reviewed annually while the Company's pharmacy benefits manager, Express Scripts, monitors pharmacies.

REINSURANCE

Assumed

None.

Ceded

Currently, the Company is the named insured for a specific excess loss insurance policy issued by Reliastar Life Insurance Company. The Company retains $250,000 per risk while Reliastar covers 90% of the losses between $250,000 and the coverage limit of $1,000,000. Cost of this coverage is $1.26 per member per month. This agreement was in effect from December 1, 2004 through November 30, 2005.

The previous agreement under which the Company operated (and the agreement for which the reinsurance recoverable relates) was with American National Insurance Company. This agreement covered losses in excess of $250,000 up to $750,000 and was in effect from December 1, 2003 through November 30, 2004. The reinsurer paid 80% of the losses within that coverage. The cost for this was also $1.26 per member per month.

Both reinsurance agreements contained specific clauses required by regulation and had been submitted to the Department of Insurance.

ACCOUNTS AND RECORDS

General

The Company uses *Freedom Financial Series* general ledger software to record all general ledger entries on a GAAP basis with adjustments for statutory reporting purposes. To prepare quarterly and annual statements, the Company uses the *Freedom AS2000* software package. Member information and claims data is processed by an outside party, NovaSys.

The Company received questionnaires prior to the start of onsite work for this examination. However, the questionnaires were not completed. This is contrary to the requirements of 20 CSR 200-4.010 (4) which requires information to be provided within five working days of the request by examiners. The Company's accounting staff had been strained due to the fact that two of the three members of that staff were on maternity leave at different times during the examination period. Also, the staff is virtually the same size today as it was five years ago when the Company had half the assets, revenues and membership.

Independent Auditor

The Company engaged Mayer Hoffman McCann P.C., an independent certified public accounting firm, to perform statutory audits for the years covered in this examination.

Independent Actuary

Loss reserves were reviewed and certified by John D. Meerschaert, FSA, MAAA, associated with Milliman, Inc. Mr. Meerschaert concluded that Company's reserves as of December 31, 2004, were reasonable. Loss reserves for December 31, 2003 and 2002 were evaluated by Bruce N. Vander Els, FSA, MAAA.

The Missouri Department of Insurance contracted the actuarial firm of Lewis and Ellis to review the company's reserves as of December 31, 2004. Those reserves were determined to be deficient by approximately $1.2 million. See the Notes to the Financial Statements for details.

Unclaimed Property

The Company's policy requires that stale checks (those that are over 180 days old) be moved into an escheat account. Those items are then transferred to the Treasurer's office in accordance with Section 447.539 RSMo (Report to director, etc.). The maintenance and reporting of these items appears to be satisfactory.

Disaster Recovery Plan

The Company has a disaster recovery plan designed to ensure continuation of business. That plan appears to be adequate and has been distributed among key employees.

Custodial Agreements

The Company has investments held in two custodial accounts, one at Stifel, Nicolaus & Company and one at Southwest Bank. Neither of the agreements contained all of the requirements found in the Financial Condition Examiners Handbook. For example, there were no provisions requiring the custodian to indemnify the Company in the event the securities were lost or stolen. There were no provisions requiring the custodian to notify the Director of the Department of Insurance in the event the account is closed. The Company should obtain new custodial agreements and insist that those agreements meet the requirements outlined in Part 1, Section IV, Item J of the Financial Condition Examiners Handbook.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2004, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

Balance Sheet

Assets		Assets	Nonadmitted Assets	Net Admitted Assets
Bonds		$ 3,400,000		$ 3,400,000
Cash		9,646,697		9,646,697
Investment income due and accrued		52,879		52,879
Uncollected premiums and agents' balances		8,168,155		8,168,155
Amounts recoverable from reinsurers		654,121		654,121
Net deferred tax asset		362,800	45,100	317,700
Electronic data processing equipment		44,038	1,863	42,175
Furniture and equipment		166,226	83,113	83,113
Health care and other amounts receivable		403,771	163,800	239,971
Total Assets		**$ 22,898,687**	**$ 293,876**	**$ 22,604,811**

Liabilities		Covered	Uncovered	Total
Claims unpaid	**Note 1**	8,259,054		8,259,054
Unpaid claims adjustment expenses	**Note 1**	300,627		300,627
General expenses due or accrued		1,621,637		1,621,637
Current federal and foreign income tax payable		97,850		97,850
Total Liabilities		**$ 10,279,168**		**$ 10,279,168**
Surplus				
Gross paid in and contributed surplus				9,778,789
Unassigned funds (surplus)				3,748,028
Examination changes				**$ (1,201,174)**
Total capital and surplus				**$ 12,325,643**
Total liabilities, capital and surplus				**$ 22,604,811**

Statement of Revenue and Expenses

Member Months	548,806
Net premium income (Total Revenues)	$ 82,762,999
Hospital/medical benefits	30,833,828
Other professional services	7,732,098
Outside referrals	7,770,031
Emergency room and out-of-area	8,201,482
Prescription drugs	9,831,358
Subtotal	**64,368,797**
Less net reinsurance recoveries	(1,173,538)
Total Hospital and Medical Costs	**63,195,259**
Claims adjustment expenses	3,999,437
General adminstrative expenses	4,885,405
Total Underwriting Deductions	**72,080,101**
Net Underwriting Gain/(Loss)	**10,682,898**
Net investment gains/(losses)	254,495
Net gain/(loss) from agents' or premium balances charged off	175,362
Federal and foreign income taxes incurred	(3,405,499)
Net Income/(Loss)	**$ 7,707,256**

Capital and Surplus Accounts

CAPITAL AND SURPLUS ACCOUNTS

	December 31, 2004
Capital and surplus prior reporting year	$ 12,951,871
Net income/(loss)	7,707,256
Change in net deferred income tax	(485,901)
Change in nonadmitted assets	653,591
Dividends to stockholders	(7,300,000)
Net change in capital and surplus	**574,946**
Increase/(decrease due to examination changes	(1,201,174)
Capital and surplus end of reporting year	**$ 12,325,643**

NOTES TO THE FINANCIAL STATEMENTS

Note 1

Claims Unpaid	**$8,259,054**
Unpaid Claims Adjustment Expenses	**$300,627**

The Company's reserve for Claims Unpaid was increased by $900,547 to more accurately reflect the losses revealed in the analysis of claims runoff. The Company had included Unpaid Claims Adjustment Expenses in the Claims Unpaid line. However, that liability should be shown separately in the annual statement. Analysis of those expenses indicated a need to establish a reserve for $300,627. With both reserves, we made examination changes increasing the Company's liabilities by $1,201,174. The Company's Unassigned Funds decreased by $1,201,174 as a result of the increase in claim related reserves.

EXAMINATION CHANGES

Total Capital and Surplus Per Company, December 31, 2004:				
Gross Paid In and contributed Surplus				$ 9,778,789
Unassigned Funds				3,748,028
Total Capital and Surplus				**$ 13,526,817**
		INCREASE IN SURPLUS	**DECREASE IN SURPLUS**	
Claims Unpaid	Note 1		900,547	
Unpaid claims Adjustment Expenses	Note 1	-	300,627	
		-	1,201,174	
Net Increase(Decrease) in Surplus				(1,201,174)
Total Policyholder Surplus per Examination, December 31, 2004				
Gross Paid In and Contributed Surplus				9,778,789
Unassigned Funds				2,546,854
Total Capital and Surplus				**$ 12,325,643**

GENERAL COMMENTS AND RECOMMENDATIONS

Accounts and Records, page 10

The Company should implement measures to ensure that all requested information is provided in a timely manner. Questionnaires given to the Company prior to the commencement of onsite examination activities were not completed and returned.

The Company should obtain new custodial agreements with the institutions holding investment securities. Those agreements should contain the provisions found in the Financial Condition Examiners Handbook.

SUBSEQUENT EVENTS

The Company paid an extraordinary dividend of $3,200,000 on March 29, 2005. There were no other significant events.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and the employees of Alliance for Community Health, LLC during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Mike Gruner, AFE, CPA, examiner for the Missouri Department of Insurance, participated in this examination. Karen Elsom, F.S.A. with the firm of Lewis and Ellis, Inc., reviewed the reserves and related actuarial items.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Robert P. Jordan, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Robert P. Jordan

Robert P. Jordan, CFE
Examiner-in-Charge
Missouri Department of Insurance

Sworn to and subscribed before me this 13 day of February.
My commission expires:

12/19/2008

Velvet Standefer
Notary Public

Velvet Standefer
Notary Public Notary Seal
State of Missouri County of St. Charles
My Commission Expires 12/19/2008
Commission # 04649691

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Christiana Dugopolski

Christiana Dugopolski, CPA, CFE
Audit Manager, St. Louis
Missouri Department of Insurance